

103RD ANNUAL REPORT 2018-19



Photo by Andy Smith Images

Working together for a better tomorrow

2018-19 Highlights

- \$1,357,950 net profit after tax - 48% increase on 2017-18 (\$913,760)
- Net Promoter Score of +23 (Dec 2018 Customer Survey)
- Inaugural Staff Expo and new training and career development opportunities for our 300-plus employees

Growing and diversifying

- Opening of Kew Rural Store
- Acquisition of local Enterprise Rent A Car franchise
- Construction of state-of-the-art new Sovereign Hills IGA

Giving back

- 4,190 active Shareholder members: \$232,880 returned in rewards vouchers
- 5,884 Co-op 100 members: \$62,070 returned in rewards vouchers
- Supporter of hundreds of local community groups, charities and events
- One of the area's largest employers of youth
- Supporting and showcasing local producers in our stores

Caring for our environment

- Goodbye single-use, hello reusable plastic bags
- Increased use of solar panels
- Return and Earn site at Bulk Fuel Depot

	2013 \$m	2014 \$m	2015 \$m	2016 \$m	2017 \$m	2018 \$m	2019 \$m
Total revenue	73.0	75.1	74.8	75.7	81.4	86.1	90.7
Total expenses	73.4	74.5	74.2	74.5	80.2	85.2	89.4
Net profit before tax	(0.4)	0.6	0.6	1.2	1.2	0.9	1.3
Net profit after tax	(0.4)	0.5	0.6	1.3	1.2	0.9	1.4
Gain / (loss) on revaluation		0.6					
Total comprehensive income	(0.4)	1.1	0.6	1.3	1.2	0.9	1.4
Total assets	21.7	21.5	21.0	21.2	21.7	22.9	24.3
Total liabilities	20.1	18.8	17.6	16.9	16.2	16.5	16.5
Equity	1.6	2.7	3.4	4.3	5.5	6.4	7.8
Member shares	2.6	2.6	2.5	2.4	2.2	1.9	1.7

Performance at a glance for the years ending 30th June

Notice is hereby given that the 103rd Annual General Meeting of the Hastings Co-operative Limited will be held on Tuesday, November 19, 2019 at the auditorium of Wauchope Country Club 24 King Street Wauchope, commencing at 9.30am.

Agenda

1. Welcome and apologies
2. Acknowledgement of country
3. Co-operative prayer
4. Receipt and noting of minutes
To receive and note the minutes of the 102nd Annual General Meeting held on November 20, 2018 as adopted by the Board. Copies will be available at the meeting of shareholder members. A member can request a copy prior to the meeting from the Co-operative Secretary.
5. Business arising from the minutes
6. Report from the Chair
7. Report from the Chief Executive Officer
8. Report from the Independent Auditor
9. To receive and adopt the following for the year ending June 30, 2019
 - a. Directors' report and Directors' declaration
 - b. Annual financial statements; and
 - c. Independent auditors' report
10. Questions from members – with notice
11. Director's remuneration
It is recommended that the total remuneration, for a Board of seven, be \$106,413.78 (2018 \$102,815.24). This represents an increase of 3.5% over the 2018 figure.
12. To confirm the appointment of Northcorp Accountants as the independent Auditor for 2019/20
13. To declare the result of any director election
14. To confirm the appointment of Gary Humphreys as an independent Director
Mr Humphrey's filled a casual vacancy left by the retirement of Director Anthony Abi-Saab.
15. To declare the result of any special resolutions
16. Close

Copies of the 2018-19 Annual Financial Reports (including the independent auditors report) will be available from Friday November 1, 2019, online at www.hastingscoop.com.au or at the registered office, Level 1, 9-13 High Street Wauchope. You can also request a copy by calling 02 6588 8999.

Questions

Please submit all questions in writing at least three business days prior to the meeting. Those asking questions are requested to attend the meeting otherwise the question and response will be answered in writing.

By order of the Board of Directors

Allan Gordon - Co-operative Secretary

October 1, 2019

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It gives me great pleasure to present my report to you, our members, for the 2018/19 financial year.

The financial results for the current year on a net profit after tax basis of \$1,357,950 represents an increase of \$444,190 on the 2017/18 year or a 48% increase which, in the current environment, is an excellent result.

As in the past, some divisions have performed better than others and their performance in some respects can be attributed to the retail environment in which we operate.

Our flagship Department Store in Wauchope was closed from July to November 2018 and this impacted on their overall result, and it has taken some time to recover from this closure.

Overall, we have endeavoured to promote the concept of being part of the Co-op family to our members, and this has been the major theme of all our advertising and communications over the past year. The diversity of our businesses, and quality of products and services we provide, is something that I think all members can be proud of.

Whilst we could not participate in the annual Greater Port Macquarie Business Awards this year, due to being inducted into the Hall of Fame in 2018, we were proud sponsors of the event that showcases some excellent businesses in the area. One of the reasons why we undertake such a sponsorship is that a strong and growing business community, whether in Wauchope, Port Macquarie or the Camden Haven, is vital to the survival of the townships and people who live there. A strong economy helps all businesses survive and Hastings Co-op understands that we are direct beneficiaries of a thriving community.

In the second half of the financial year, the focus was on establishing our new IGA at Sovereign Hills. This store will offer a number of unique features that I'm sure members will really appreciate, and I urge you to come and experience the store when it opens towards the end of November.

Since the end of the financial year, Hastings Co-op has purchased the Port Macquarie franchise of Enterprise Rent A Car, which formerly operated under the name of 1st Class Car rentals. The acquisition is seen as a very positive step towards our efforts to diversify our retail offering and enhances the products and services we provide to members.

Our community giving programs continue to be well received by the groups and clubs that have benefited, and you will find a list of these groups at the back of this report. We see the support we give as part the fabric of what makes us a co-operative and look forward to doing so again in 2019/20.

Last year I advised that the Board's strategy was to sustainably expand our business operations when appropriate opportunities arose, and we have achieved this in 2018/19. In February this year, the Board's view was that there were a number of external headwinds, such as the economy and drought, that meant we should look to consolidate our current businesses to ensure we meet our objectives - and this is the course we have set for 2019/20.

CEO Allan Gordon elaborates more on our performance and progress against our strategic objectives in his report and on behalf of the Board I extend thanks to Allan and his team for the work and commitment they display on a day-to-day basis.

Special thanks to our members, staff, customers, suppliers and the local community for their continuing support. It is your support that makes Hastings Co-op strong and very unique.

In closing, I thank my fellow directors for their individual contributions to the Board over the past 12 months and the varied skills that they bring to the Board and its deliberations.

David Johnson - Chairman

Chief Executive Officer's report

Dear Shareholders members,

Thank you for your unwavering support during the past financial year. I appreciate that every day you have a choice of using the Co-op or someone else to purchase your products and services and I thank you sincerely for being part of the Co-op family and contributing to our ongoing success.

The past financial year has seen the Co-op enjoy improved performance over several divisions and I am very pleased to announce our net profit after tax is \$1,357,950 (2018; \$913,760). This result not only belongs to you, our members, but also to the very hard-working staff that we have in each of our stores and Corporate Centre. They are the true face of Hastings Co-op and without their dedication to serving you we would not be the Co-op that we are today.

I mentioned in my 2018 report that the retail environment in which we operate is changing rapidly and indeed the level of change that was envisaged last year has very much accelerated over the course of 2019.

Our competitors are at the forefront of this change and we will need to be nimble and adaptable in the coming years to ensure that we remain competitive and provide the products and services that you want, in the way you wish. The disruption of the industries in which we operate is ongoing and we will need to transition our businesses so we can continue to successfully trade in the retail environment of the future.

The current outlook for the retail industry is very mixed, with consumer confidence and discretionary spending having a direct bearing on our revenues. The continued drought is also influencing our fuel and rural supplies businesses as customers are not having to spend as much as they normally would. We know that this is short term and expect the retail climate to change in the first quarter of 2020.

When I look back over the financial year Hastings Co-op has achieved a lot of things. The Kew Rural Store was opened in March, and to date is proving very successful in attracting new customers. We renewed leases at Timbertown and extended our lease at Laurieton Department Store for 12 months. Caltex extended our tenure to manage the Bolwarra Road service station until June 2020 and we renewed our membership with CRT for rural supplies. In addition, we renewed our distributorship with Elgas and were fortunate in obtaining a two year exemption under the Bio-Fuels Act. The purchase of the local Enterprise Rent A Car franchise, whilst not completed until July, was very much a product of the 2018-19 year.

The development of the Sovereign Hills IGA complex is due for completion in late November and we are endeavouring to bring a state-of-the-art supermarket to the region. Sovereign Hills is a rapidly growing area of Port Macquarie and it is a great opportunity to introduce new members to Hastings Co-op - and all of the benefits of belonging to the Co-op family.

The development of our staff has always been a priority and during the course of 2018-19 we commenced executive management training for our business unit managers as well as giving staff the opportunity to participate in four modules of the Certificate 4 in Retail or the Diploma in Management at no cost. Those staff who were successful in completing the four modules were then given the opportunity to complete the course subsidised by the Co-op.

We also introduced a number of on-line training courses for all new staff so that they become familiar with our expectations and standards at the start of their careers with the Co-op.

Chief Executive Officer's report

Our IGA and liquor stores undertook an external review to look at ways to improve efficiencies and the delivery of products to customers. The recommendations of this review are currently being rolled out across all stores and there is an expectation that bottlenecks for both customers and staff will be gradually removed.

One of our goals is to have all of our businesses on the same point of sale system to achieve greater efficiencies and benefits. During the year Timbertown SUPA IGA and Wauchope SUPA IGA converted to the Futurenet system. The Department Stores, liquor and service stations were already operating under the system and it is anticipated that over the course of the next 12 to 24 months the remaining businesses will be converted.

When you assess the future there are several headwinds, including external influences such as the flat economy, drought and overseas tension, on the horizon. Any of these could cause disruption to the Co-op, however, what I have come to know in the past six years of being your CEO is that our members are very supportive, and with your continued loyalty we will be in a position to weather any headwinds that come our way.

In closing, I again thank you for support and your continued faith in the development and growth of the Co-op. It is greatly appreciated. Finally, to our Chairman David Johnson and the Board of Directors, your wisdom and guidance is very much appreciated and welcome.

Allan Gordon

Chief Executive Officer

Giving back to the community

We've been a part of the Hastings community since 1916 and look forward to supporting local clubs, community groups, schools and charities for many years to come.

As well as sponsoring hundreds of groups each year, we love the fact that we work, play and live in this beautiful part of the world. Our 'locals supporting locals' philosophy encompasses everything from local job opportunities and showcasing local producers in our stores to working with the community to ensure the region continues to thrive.

Here are the groups we've supported during the 2018-19 financial year –

- Beechwood Public School
 - Beechwood Public School P&C
 - Beechwood Shamrocks Rugby League Football Club
 - Byabarra Community Hall
 - Charles Sturt University scholarships
 - Comboyne Community Preschool
 - Comboyne Public School
 - Comboyne Show 2018
 - Comboyne Spring Fair 2018
 - Comboyne Campdraft
 - Footprints in Ag
 - Hastings Country Music Association
 - Hastings District Pony Club
 - Hastings Education Fund (HEF) scholarship
 - Hastings Macleay Renal Services
 - Hastings Secondary College
 - Hastings Valley Dressage Club
 - Hollisdale Rural Bushfire Brigade
 - Huntingdon Public School
 - Koala Hospital
 - Legacy
 - Lions Club of Wauchope
 - Long Flat Rugby League Football Club
 - Lost Plot Community Gardens Spring Fair
 - Meals on Wheels
 - Motofest 2018
 - NSW Regional Business Awards
 - Pappinbarra Progress Association
 - Port Macquarie Community Preschool
 - Port Macquarie Cycle Club
- Rollands Plains Community Group
 - Slice of Haven 2018
 - St Joseph's Primary School, Wauchope
 - Upper Rollands Plains Public School
 - Wauchope and Port Macquarie Riding for the Disabled
 - Wauchope Bonny Hills Surf Life Saving Club
 - Wauchope District Memorial Hospital
 - Wauchope Fitness Centre (Pink Ladies fundraiser)
 - Wauchope Blues Jnr Rugby League Football Club
 - Wauchope Girl Guides
 - Wauchope High School
 - Wauchope Jockey Club
 - Wauchope Lady Golfers
 - Wauchope Mens Golf Day
 - Wauchope Netball Club
 - Wauchope Park Run
 - Wauchope Public School
 - Wauchope Public School P&C
 - Wauchope Rotary Club
 - Wauchope RSL Amateur Fishing Club
 - Wauchope RSL Cricket Club
 - Wauchope Show Society
 - Wauchope Soccer Club
 - Wauchope Veterans Womens Golf
 - Westpac Rescue Helicopter
 - Yesteryear Truck and Machinery Show

Congratulations to long serving staff

Congratulations to the following Hastings Co-op staff who have contributed more than 10 years of service as at June 30, 2019.

Gwenda Johnson	50 years
Patricia Miller	33 years
Annette Kay Monkley	30 years
Sonny Hackney	26 years
Rhonda Hawley	26 years
Denise Moore	26 years
Elizabeth Moulton	26 years
Matthew White	24 years
Kim Barnes	23 years
Darren Partridge	22 years
Maxine Byatt	21 years
Sarah Huisman	21 years
Luke Mackay	21 years
Michael Smith	20 years
Gemma Bannister	19 years
Helen Ruth Currey	18 years
Andrew Quibell	18 years
Craig Swain	17 years
Cecil Bruce Blanch	16 years
Lynn Ryan	16 years
Dionne Allen	15 years
Tania Arentsen	15 years
Jarrold Eyles	15 years
Emma Nicholson	15 years
Kathryn Nocke	15 years
Allan Farley	14 years
Daniel Langens	14 years
Kylie Joseph	13 years
Mario Lenkic	13 years
Lisa Attkins	12 years
Kelvin Kelly	12 years
Warren McWhirter	12 years
Kerrie Pead	12 years
Susan Shaw	12 years
Coralie Hindmarch	11 years
Bradley Leach	11 years
Michelle McKay	11 years
Judith Standring	11 years
Brooke Cook	10 years
Jodie Stallebrass	10 years
John Miller	10 years
Leanne Cook	10 years
Susanne Avery	10 years





FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

ABN 86 601 035 121

Hastings Co-operative Limited

ABN: 86 601 035 121

30 June 2019

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Hastings Co-operative Limited

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DIRECTORS' REPORT**30 June 2019**

Your Directors present their report on the Co-operative for the financial year ended 30 June 2019.

Directors

The names of the Directors in office at any time during, or since the end of, the year are:

David Johnson	(Chairperson)
Lisa Intemann	
Richard McGovern	
Rodney Barnaby	
Jaclyne Fisher	
Robert Preston	(Appointed 20/11/2018)
Gary Humphreys	(Appointed 01/04/2019)
Anthony Abi-Saab	(Retired 20/11/2018)
Jane Dawson	(Retired 20/11/2018)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Co-operative Secretary

Allan Gordon B.Bus (Monash), Grad Dip Ed (QUT) was appointed Co-operative Secretary on 01/05/2013 and is Chief Executive Officer of Hastings Co-operative Limited.

Principal Activities

The principal activities of the Co-operative during the financial year were retail operations in grocery, fresh foods, soft goods, hardware, rural supplies, liquor stores, service stations bulk fuel and hospitality. There has been no changes in the nature of these principal activities during the year.

Operating Results

The total revenue and other income for the Co-operative was \$90,736,200 for the current financial year as compared to revenue and other income of \$86,061,097 for the previous financial year. The profit of the Co-operative for the financial year after providing for income tax amounted to \$1,357,950 compared to a profit of \$913,760 in the previous financial year.

Dividends

No dividend is recommended to be paid for the financial year ended 30 June 2019.

Shareholder reward vouchers issued for the financial year totalled \$232,880 and Co-op 100 Vouchers issued for the financial year totalled \$62,070.

Review of Operations

The overall retail environment remains extremely competitive with reduced margins being experienced across most sectors.

Hastings Co-operative Limited

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DIRECTORS' REPORT**30 June 2019****Significant changes in State of Affairs**

The Co-operative commenced operations of the Laurieton Department Store on 17 August 2018 and the Kew Rural Store on 4 March 2019. There were no other significant changes in the state of affairs of the Co-operative during the financial year.

Events after the Reporting Period

After balance date, on 29 July 2019, the Co-operative acquired a franchise car rental services business. The business operates from the Port Macquarie Airport Terminal.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Co-operative in future financial years.

Future Developments

Likely developments in the operations of the Co-operative and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Co-operative.

Environmental Regulations

The Co-operative's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Board believes that the Co-operative has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Co-operative.

Indemnifying Officers or Auditor

During the financial year the Co-operative held a Directors and Officers Insurance Policy. The policy has an exclusion clause which precludes any further disclosure.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, for any person who is or has been an auditor of the Co-operative.

Proceedings on Behalf of Co-operative

No person has applied for leave of Court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings.

The Co-operative was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been received and is included in this financial report.

	Directors' Meetings		Special Meetings		Audit and Risk Committee		Marketing and Innovations Committee		Governance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
David Johnson	11	10	2	2	2	-	-	-	3	3
Lisa Intemann	11	9	2	2	4	4	-	-	-	-
Richard McGovern	11	11	2	2	-	-	3	3	3	3
Rodney Barnaby	11	10	2	2	-	-	3	3	-	-
Jaclyne Fisher	11	9	2	2	-	-	2	2	3	3
Robert Preston	7	6	1	1	3	3	-	-	2	2
Gary Humphreys	2	1	-	-	1	1	1	-	-	-
Anthony Abi Sabab	4	4	1	1	1	1	1	1	-	-
Jane Dawson	4	4	1	1	1	1	-	-	-	-

Meetings of Directors

During the financial year, 23 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

Hastings Co-operative Limited

ABN: 86 601 035 121

DIRECTORS' REPORT

30 June 2019

Hastings Co-operative Limited

ABN: 86 601 035 121

DIRECTORS' REPORT

30 June 2019

Information on Current Directors

David Johnson – Independent Non-Executive Director, BB, CPA, Grad Dip AICD, JP



David has been a member of the Board since 2013 and has been Chair since 2016. David holds the position of Chair of the Nominations Committee and is a member of the Governance Committee. David is a professional company director and has over 30 years' experience in the banking and finance industry as well as 12 years company secretarial experience. David brings to the Board a wealth of experience in business management and accounting as well as governance, policy development and risk management. David holds two outside directorships with Bundaleer Care Services Ltd and Regional Australia Bank Ltd.

Lisa Intemann – Independent Non-Executive Director PhD, BA (Hons), BSc, Grad. Dip Soc.Sc. Cert of Mediation



Lisa joined the Board in 2012 and is currently the Chair of the Audit and Risk Committee. Lisa is currently an elected Councillor for the Port Macquarie Hastings Council serving from 1995 to 2008 and from 2012 to the present. Lisa has an extensive background in small business management having managed family businesses for many years. Lisa brings to the Board her expertise in governance and strategic planning, risk management and policy development.

Richard McGovern – Independent Non - Executive Director - Cert III in Bus Mkt/Promotions and Customer Service



Richard has been a Director of the Co-operative since 2013. Richard holds the position of Chairperson of the Governance Committee and is a member of the Marketing and Innovations Committee. Richard has been a small business owner in Wauchope since 2004 as well as being the Community Liaison officer for Westpac Rescue Helicopter. Richard has a background in sales, marketing and promotion and brings knowledge and expertise to the Board in these areas. Richard is a member of the Port Macquarie Hastings Council – Mayors Sporting Fund Committee

Rodney Barnaby – Independent Non-Executive Director – B.Eng Honors (Civil) MBA



Rod has been a member of the Board since 2017 and is currently the Chairperson of the Marketing and Innovations Committee. Following a successful military career as an officer in the Australian Army, Rod has extensive corporate experience from owning and managing a national high-volume customer facing service business. He has also owned and managed smaller businesses including a local training and development company. Rod brings to the Board skills in strategic planning and leadership, governance and commercial decision making. Rod currently sits on the Board of Regional Development Australia (MNC), Destination Network North Coast and Bundaleer Care Services. Rod is the owner and Director of Future Ambition Pty Ltd and Biodiversity Solutions Australia Pty Ltd

Jaclyne Fisher – Independent Non-Executive Director – B.Comm (UNSW) MBA (UQ/Mt Eliza Bus School)



Jaclyne joined the Board in 2017 and is a member of the Governance Committee and the Marketing and Innovations Committee. Jaclyne has had a career spanning over 35 years including senior executive and strategic management roles in Australia and overseas. Jaclyne brings a wealth of experience to the Board in leadership, strategic planning, risk management and corporate governance. Jaclyne is currently the Secretary/Board member for the Advocacy Law Alliance as well as the treasurer for the Hastings Valley Dressage club, she is also a former president of the Australia Warmblood Horse association.

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DIRECTORS' REPORT

30 June 2019

Robert Preston – Independent Non-Executive Director – Assoc. Dip OH&S (Newcastle)



Robert or Bob as he is known joined the Board in 2018 and is a member of the Audit and Risk and Governance Committees. Bob has had a distinguished career in the areas of Project delivery and OH&S. He has worked with Caltex where he was instrumental in the delivery of high order application of systemic risk management and preventative strategies. Bob also had a long career with Thiess Pty Ltd where he was the Safety and Environmental Manager in the process engineering and industrial projects division. Bob brings to the Board a wealth of experience in the risk management and WH&S spheres as well as project management, strategic thinking and commercial acumen.

Gary Humphreys – Independent Non-Executive Director – Grad. AICD, Advanced Management Program (Harvard Business School)



Gary was appointed to the Board on the 1st April 2019 to fill a vacancy left by the retirement of Anthony Abi-Saab. Gary is a member of the Audit and Risk and Marketing and Innovations Committees. Gary is currently a board member of Banana Coast Community Credit Union Ltd (BCU), Local Land Services North Coast and CanAssist and previously held senior executive positions with Country Energy and Essential Energy. Gary brings to the board a wealth of experience in risk management, governance, strategy and executive leadership.

Acknowledgements

The Board of Directors wishes to extend to all shareholder members their appreciation for the support given to the Co-operative during the year.

Shareholder members' support, and that of the community is appreciated and remains a crucial factor for the success of the Co-operative.

To the executive and all staff, we offer our sincere thanks for your loyalty and co-operation throughout the past year.

Signed in accordance with a resolution of the Board of Directors:

Chairperson:
David Johnson

Director:
Lisa Intemann

Dated: 10 September 2019



PARTNERS
Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Bart Lawler B Com CA
Patrick Brennan B Com CA
Alison McKinnon B Bus CA

AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of the Corporations Act 2001

To the Directors of Hastings Co-operative Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

NORTHCORP ACCOUNTANTS

Robert Magnussen
Partner
Registered Company Auditor

Dated: 10 September 2019

3/80 High Street
WAUCHOPE NSW 2446



T 02 6588 4444 | F 02 6583 4527 | E northcorp@northcorp.com.au | www.northcorp.com.au
Suites 1-3 Bourne House, 10-12 Short Street, Port Macquarie NSW 2444
3/80 High Street, Wauchope NSW 2446 | PO Box 166, Port Macquarie NSW 2444
Liability limited by a scheme approved under Professional Standards Legislation

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

Hastings Co-operative Limited

ABN: 86 601 035 121

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue	2(b)	90,659,321	86,046,483
Other income	2(b)	76,879	14,614
		<u>90,736,200</u>	<u>86,061,097</u>
Changes in inventories	3	426,107	414,702
Inventory purchases	3	(72,169,052)	(69,010,460)
Bad and doubtful debts expense	3	(27,382)	(12,999)
Depreciation and amortisation expense	3	(1,006,406)	(915,522)
Employee benefits expense		(9,819,642)	(9,363,792)
Finance costs	3	(424,621)	(453,939)
Rent expense		(1,026,321)	(931,875)
Other expenses		(5,390,559)	(4,936,820)
		<u>(89,437,876)</u>	<u>(85,210,705)</u>
Profit/(loss) before income tax		1,298,324	850,392
Income tax expense	4	59,626	63,368
Profit/(loss) for the year		1,357,950	913,760
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,357,950	913,760
Profit / (loss) attributable to members of the Co-operative		<u>1,357,950</u>	<u>913,760</u>
Total comprehensive income attributable to members of the Co-operative		<u>1,357,950</u>	<u>913,760</u>

The accompanying notes form part of these financial statements.

Statement of financial position

AS AT 30 JUNE 2019

Hastings Co-operative Limited

ABN: 86 601 035 121

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	78,800	78,100
Trade and other receivables	7	1,795,073	1,669,112
Inventories	8	5,397,019	4,970,912
Other assets	10	81,692	53,135
Total current assets		<u>7,352,584</u>	<u>6,771,259</u>
Non-current assets			
Other financial assets	9	1,000	1,000
Property, plant and equipment	11	16,085,621	15,400,332
Intangible assets	12	358,569	350,342
Deferred tax assets	13(a)	523,169	463,543
Total non-current assets		<u>16,968,359</u>	<u>16,215,217</u>
TOTAL ASSETS		<u>24,320,943</u>	<u>22,986,476</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	4,895,065	4,996,454
Borrowings	15	1,219,331	1,186,747
Short-term provisions	17	1,112,284	972,072
Other liabilities	18	129,542	105,498
Total current liabilities		<u>7,356,222</u>	<u>7,260,771</u>
Non-current liabilities			
Borrowings	15	7,173,806	7,022,260
Members' shares	16	1,715,056	1,958,957
Long-term provisions	17	295,421	322,000
Total non-current liabilities		<u>9,184,283</u>	<u>9,303,217</u>
TOTAL LIABILITIES		<u>16,540,505</u>	<u>16,563,988</u>
NET ASSETS		<u>7,780,438</u>	<u>6,422,488</u>
EQUITY			
Reserves	20	5,328,379	5,328,379
Retained earnings		2,452,059	1,094,109
TOTAL EQUITY		<u>7,780,438</u>	<u>6,422,488</u>

The accompanying notes form part of these financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2019

Hastings Co-operative Limited

ABN: 86 601 035 121

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

2019

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 July 2018	1,094,109	5,328,379	6,422,488
Profit / (loss) attributable to members of the Co-operative	1,357,950	-	1,357,950
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,357,950	-	1,357,950
Balance at 30 June 2019	2,452,059	5,328,379	7,780,438

2018

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 July 2017	180,349	5,328,379	5,508,728
Profit / (loss) attributable to members of the Co-operative	913,760	-	913,760
Other comprehensive income	-	-	-
Total comprehensive income for the year	913,760	-	913,760
Balance at 30 June 2018	1,094,109	5,328,379	6,422,488

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2019

Hastings Co-operative Limited

ABN: 86 601 035 121

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities:			
Receipts from customers		96,810,119	91,547,564
Payments to suppliers and employees		(94,736,871)	(89,021,370)
Finance costs		(424,621)	(453,939)
Interest received		11,815	6,482
Net cash provided by (used in) operating activities	25(a)	1,660,442	2,078,737
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		86,093	53,262
Purchase of property, plant and equipment		(1,643,394)	(1,207,507)
Acquisition of intangible assets		(39,292)	(58,880)
Net cash provided by (used in) investing activities		(1,596,593)	(1,213,125)
Cash flows from financing activities:			
Shares issued		-	-
Shares repaid		(247,279)	(218,911)
Net increase / (decrease) in borrowings		35,745	(524,667)
Net cash provided by (used in) financing activities		(211,534)	(743,578)
Net increase (decrease) in cash and cash equivalents		(147,685)	122,034
Cash and cash equivalents at beginning of financial year		(81,066)	(203,100)
Cash and cash equivalents at end of financial year	6	(228,751)	(81,066)

The accompanying notes form part of these financial statements.

Hastings Co-operative Limited

ABN: 86 601 035 121

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019**

The financial statements are for Hastings Co-operative Limited (the Co-operative) as an individual entity. Hastings Co-operative Limited is a Co-operative under the Co-operatives National Law (NSW), incorporated and domiciled in Australia.

Note 1 Summary of Significant Accounting Policies**Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with the Co-operatives National Law (NSW), the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB) and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Co-operative is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied, unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies**(a) Income Tax**

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Hastings Co-operative Limited

ABN: 86 601 035 121

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 1 Summary of Significant Accounting Policies (continued)****(b) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

(c) Financial Instruments**Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the Co-operative becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Co-operative commits itself to either the purchase or sale of the asset.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at "fair value through profit or loss," in which case transaction costs are expensed to profit or loss immediately.

Trade receivables are initially measured at the transaction price.

Classification and Subsequent Measurement*Financial Liabilities*

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or financial liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Financial Assets

Financial assets are subsequently measured at:

- amortised cost; or
- fair value through other comprehensive income.

Financial assets comprising cash and cash equivalents, trade and other receivables and interest bearing deposits are subsequently measured at amortised cost as they meet the following conditions:

- the financial assets are managed solely to collect contractual cash flows; and
- the contractual terms within the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Hastings Co-operative Limited

ABN: 86 601 035 121

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 1 Summary of Significant Accounting Policies (continued)****(c) Financial Instruments (continued)****Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial assets

A financial asset is derecognised when the Co-operative's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all the risks and rewards of ownership of the asset have been substantially transferred; and
- the Co-operative no longer controls the asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the financial asset reserve is not reclassified to profit or loss, but is transferred to retained earnings

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment of Financial Assets

The Co-operative recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

A loss allowance is not recognised for investments measured at fair value through other comprehensive income.

Recognition of expected credit losses in financial statements

At each reporting date, the Co-operative recognises the movement in the loss allowance as an impairment gain or loss in the statement of comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Financial assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at the end of the reporting period.

Hastings Co-operative Limited

ABN: 86 601 035 121

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 1 Summary of Significant Accounting Policies (continued)****(d) Inventories**

Inventories are measured at the lower of cost and net realisable value.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, accumulated depreciation and any impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction) less accumulated impairment losses and accumulated depreciation for buildings. The fair value of freehold land and buildings is based on periodic valuations performed by independent external valuers at least once in every five years.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity. Revaluation decreases that offset previous increases of the same asset are charged against the asset revaluation reserve directly in equity. All other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

In the event that the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of the recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Co-operative and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 1 Summary of Significant Accounting Policies (continued)****(e) Property, Plant and Equipment (continued)****Depreciation**

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Co-operative commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings and Improvements	2.50%
Plant and Equipment	5% to 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

(f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Co-operative. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction.

(g) Impairment of Assets

At the end of each reporting period, the Co-operative reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and amount in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Co-operative estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued individual asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

Hastings Co-operative Limited

ABN: 86 601 035 121

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 1 Summary of Significant Accounting Policies (continued)****(h) Intangible Assets****Goodwill**

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Software

Items of computer software which are not integral to the computer hardware owned by the Co-operative are classified as intangible assets. Computer software held as an intangible asset is amortised over the expected useful life of the software which is generally determined to be 4 years.

(i) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Co-operative during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Employee Benefits

Provision is made for the Co-operative's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to the probability that the employee may not satisfy vesting requirements.

Contributions are made by the Co-operative to employee superannuation funds and are charged as expenses when incurred.

(k) Members' Shares

Members' shares were initially recognised in equity. In accordance with the requirements of International Financial Reporting Standards, members' shares were reclassified as non-current liabilities in the statement of financial position. In accordance with UIG Interpretation 2, dividends relating to members' shares are recognised as an expense in profit or loss.

Hastings Co-operative Limited

ABN: 86 601 035 121

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 1 Summary of Significant Accounting Policies (continued)****(l) Provisions**

Provisions are recognised when the Co-operative has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) Revenue Recognition

The Co-operative has applied AASB 15: *Revenue from Contracts with Customers* using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue*. No impact is shown in relation to the initial adoption of AASB 15 as the Directors have assessed that there is no material difference in the result of the Co-operative between applying AASB 118 and AASB 15.

In accordance with AASB 15, revenue continues to be recognised when control of the goods and services has transferred to the customers. For such transactions, this is the point in time when the goods are delivered to customers or the services are received by customers.

Interest revenue is recognised using the effective interest method.

Receivables are recognised when items are delivered or services received, as at this point consideration is unconditional since only time needs to pass before payment of that consideration is due.

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Co-operative are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives, where it is likely that the Co-operative will obtain ownership of the asset, or the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Hastings Co-operative Limited

ABN: 86 601 035 121

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 1 Summary of Significant Accounting Policies (continued)****(p) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Adoption of New and Revised Accounting Standards

The Co-operative has adopted AASB 9: *Financial Instruments* with a date of initial application of 1 July 2018. As a result the Co-operative has changed its financial instrument accounting policies as detailed in the summary of significant accounting policies note.

There were no material adjustments to the financial statements for the current financial year or the previous financial year as a result of the initial application of AASB 9. The following table represents the classification of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application, 1 July 2018. There was no impact on the cash flows of the Co-operative as a result of the initial adoption of AASB 9.

Financial Assets	AASB 139 Original Classification	AASB 9 New Classification
Cash and Cash Equivalents	Loans and Receivables (Amortised Cost)	Financial Assets at Amortised Cost
Trade and Other Receivables	Loans and Receivables (Amortised Cost)	Financial Assets at Amortised Cost

Financial Liabilities	AASB 139 Original Classification	AASB 9 New Classification
Trade and Other Payables	Amortised Cost	Financial Liabilities at Amortised Cost
Bank Loans	Amortised Cost	Financial Liabilities at Amortised Cost

Hastings Co-operative Limited

ABN: 86 601 035 121

NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 1 Summary of Significant Accounting Policies (continued)****(r) Adoption of New and Revised Accounting Standards (continued)*****Initial Application of AASB 15: Revenue from Contracts with Customers***

The Co-operative has adopted AASB 15: *Revenue from Contracts with Customers* with a date of initial application of 1 July 2018. As a result, the Co-operative has changed its revenue recognition accounting policy as detailed Note 1 (m).

No impact is shown in relation to the initial adoption of AASB 15 as the Directors have assessed that there is no material difference in the results of the Co-operative between applying AASB 118: *Revenue* and AASB 15.

(s) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended Accounting Standards and interpretations that have mandatory application dates for future reporting periods. The Co-operative has decided against early adoption of the following Standard which is applicable to the Co-operative but are not yet effective:

Title of Standard	Future Reporting Requirements	Operative Date
AASB 16: Leases.	This Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.	1 January 2019

AASB 16 will be applied by the Co-operative from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will be restated. The Co-operative's non-cancellable operating lease commitments amounted to \$10,775,881 as at the reporting date.

The Co-operative has performed a preliminary impact assessment and has estimated that on 1 July 2019, the Co-operative expects to recognise the right-of-use assets of approximately \$6,567,600 and lease liabilities of \$7,624,676 (after adjusting for prepayments and accrued lease payments recognised as at 30 June 2019).

Following the adoption of AASB 16, the Co-operative's net profit before tax is expected to decrease by approximately \$398,000 for the year ended 30 June 2020.

The repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities, thus increasing operating cash flows and decreasing financing cash flows by approximately \$669,142.

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 1 Summary of Significant Accounting Policies (continued)****(t) Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Co-operative.

Key estimates - Impairment

The Co-operative assesses impairment at the end of each reporting period by evaluating conditions specific to the Co-operative that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate the following key assumptions. The recoverable amount of the Port Macquarie IGA Supermarket, including goodwill, was estimated based on its value-in-use using a pre tax nominal discount rate of 8.5% and a growth rate of 2.5%. In determining the recoverable amount of the cash-generating unit, management used projected cash flows, based on approved budgets, covering a 5 year period. The recoverable amount was estimated to be higher than the carrying amount of the cash generating unit, and no impairment was required.

The financial report was authorised for issue by the Board of Directors on 10 September 2019.

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 2 Revenue and Other Income**

The Co-operative has recognised the following amounts relating to revenue in the statement of comprehensive income.

	Note	2019 \$	2018 \$
Continued operations			
Revenue from sales of goods and services	2(a)	87,311,882	83,010,520
Other sources of revenue	2(b)	3,347,439	3,035,963
Total Revenue		90,659,321	86,046,483
Other income			
Net gain on sale of property, plant and equipment		76,879	14,614
Total Revenue and Other Income		90,736,200	86,061,097
(a) Revenue Disaggregation			
The revenue is disaggregated by business divisions:			
Supermarkets and Liquor Division		54,417,704	52,068,016
Energy and Rural Division		30,897,257	28,652,625
Other Sales		1,996,921	2,289,879
		87,311,882	83,010,520
Timing of revenue recognition			
Goods and services transferred to customers:			
- at a point in time		87,311,882	83,010,520
(b) Other Sources of Revenue			
Interest received		11,815	6,482
Rent received		242,672	233,923
Rebates, commissions and other revenue		3,092,952	2,795,558
		3,347,439	3,035,963

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 3 Profit / (Loss) for the Year****(a) Expenses**

Profit / (loss) before income tax from continuing operations includes the following specific expenses:

	2019 \$	2018 \$
Cost of Sales	71,742,945	68,595,758
Finance Costs		
Interest Expense		
Borrowings - unrelated parties	424,621	453,939
Depreciation and Amortisation Expense		
Depreciation		
Buildings and improvements	173,603	172,714
Plant and equipment	803,337	712,807
	976,940	885,521
Amortisation		
Computer software	29,466	30,001
Total depreciation and amortisation expense	1,006,406	915,522
Bad and Doubtful Debts		
Trade receivables	27,382	12,999
Total bad and doubtful debts expense / (income)	27,382	12,999

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 4 Income Tax Expense****(a) The components of tax expense comprise:**

	2019	2018
	\$	\$
Current tax expense / (income)	455,875	327,451
Deferred tax arising from the origination and reversal of temporary differences	(59,626)	(63,368)
Recoupment of prior year losses	(455,875)	(327,451)
	<u>(59,626)</u>	<u>(63,368)</u>

(b) The prima facie tax on profit / (loss) before income tax expense is reconciled to the income tax expense as follows:

Prime facie tax on profit / (loss) before income tax expense at 30% (2018: 30%)	389,498	255,117
Add:		
Tax effect of:		
- other non-allowable items	4,356	6,888
	<u>393,854</u>	<u>262,005</u>
Less:		
Tax effect of:		
- movement in deferred tax liabilities relating to property, plant and equipment not accounted for	2,395	2,078
- recoupment of prior year tax losses not previously brought to account	(455,875)	(327,451)
	<u>(453,480)</u>	<u>(325,373)</u>
Income tax (benefit) / expense attributable to the Co-operative	<u>(59,626)</u>	<u>(63,368)</u>

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 5 Dividends**

	Note	2019 \$	2018 \$
Fully franked dividend of Nil% of issued share capital (2018: Nil%)		-	-
(a) Proposed Fully Franked Dividend		-	-
No dividend was proposed for the current financial year or the previous financial year.			
(b) Franking Account			
Balance of franking account at the end of the financial year adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.		912,428	912,428

Note 6 Cash and Cash Equivalents

Cash on hand		78,800	78,100
Reconciliation of Cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		78,800	78,100
Bank overdraft	15	(307,551)	(159,166)
		<u>(228,751)</u>	<u>(81,066)</u>

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 7 Trade and Other Receivables**

		2019	2018
	Note	\$	\$
Current			
Trade receivables		1,255,402	1,268,837
Provision for impairment	7(b)	(26,628)	(14,470)
		<u>1,228,774</u>	<u>1,254,367</u>
Other receivables		<u>566,299</u>	<u>414,745</u>
Total current trade and other receivables		<u>1,795,073</u>	<u>1,669,112</u>

(a) Trade Receivables

The Co-operative provides trading terms of 21 days from the end of the month to approved ABN holders. Interest is charged at 18% p.a. (2018: 18% p.a) on outstanding balances outside trading terms. An administration charge of \$10 may also apply.

(b) Impairment of Trade Receivables

In determining the recoverability of trade and other receivables the Co-operative considers any change in the credit quality of trade and other receivables from the date credit was initially granted up to the reporting date.

Note 8 Inventories**Current**

Finished goods at cost	<u>5,397,019</u>	<u>4,970,912</u>
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Note 9 Other Financial Assets**Non-current****Financial Assets at Amortised Cost**

Unlisted investments, at cost:

- shares in other corporations	<u>1,000</u>	<u>1,000</u>
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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 10 Other Assets**

	2019	2018
	\$	\$
Current		
Prepayments	<u>81,692</u>	<u>53,135</u>

Note 11 Property, Plant and Equipment**Land and Buildings****Freehold land**

Freehold land at independent valuation	<u>5,905,740</u>	<u>5,905,740</u>
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Buildings

Buildings and improvements at independent valuation	6,989,258	6,942,591
Less accumulated depreciation	<u>(847,302)</u>	<u>(673,700)</u>
Total buildings	<u>6,141,956</u>	<u>6,268,891</u>

Total land and buildings	<u>12,047,696</u>	<u>12,174,631</u>
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Plant and equipment

Plant and equipment at cost	9,964,100	8,800,753
Less accumulated depreciation	<u>(5,926,175)</u>	<u>(5,575,052)</u>
Total plant and equipment	<u>4,037,925</u>	<u>3,225,701</u>

Total property, plant and equipment	<u>16,085,621</u>	<u>15,400,332</u>
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The Co-operative's land and buildings were revalued at 30 June 2014 by independent valuers. Valuations were made on the basis of current market values.

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 11 Property, Plant and Equipment (continued)****(a) Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Freehold land \$	Buildings and improvements \$	Plant and equipment \$	Total \$
2019				
Balance at 1 July 2018	5,905,740	6,268,891	3,225,701	15,400,332
Additions	-	46,668	1,623,176	1,669,844
Disposals	-	-	(7,615)	(7,615)
Depreciation expense	-	(173,603)	(803,337)	(976,940)
Balance at 30 June 2019	5,905,740	6,141,956	4,037,925	16,085,621
2018				
Balance at 1 July 2017	5,900,000	6,457,637	2,731,032	15,088,669
Additions	5,740	3,150	1,226,942	1,235,832
Disposals	-	-	(38,648)	(38,648)
Transfers	-	(19,182)	19,182	-
Depreciation expense	-	(172,714)	(712,807)	(885,521)
Balance at 30 June 2018	5,905,740	6,268,891	3,225,701	15,400,332

(b) Historical Cost

If land and buildings were stated at historical cost, amounts would be as follows:

	2019 \$	2018 \$
Cost	8,412,182	8,365,514
Accumulated depreciation	(1,587,740)	(1,420,340)
Net book value	6,824,442	6,945,174

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 12 Intangible Assets**

	2019 \$	2018 \$
Goodwill		
Cost	264,359	264,359
Accumulated impairment losses	-	-
Net carrying amount	264,359	264,359
Computer software		
Cost	215,291	201,572
Accumulated amortisation and impairment	(121,081)	(115,589)
Net carrying value	94,210	85,983
Total intangible assets	358,569	350,342

Goodwill is allocated to the Co-operative's Port Macquarie IGA Supermarket which has been identified as a cash generating unit.

(a) Movements in Carrying Amounts

	Computer software \$	Goodwill \$	Total \$
2018			
Balance at the beginning of year	57,104	264,359	321,463
Additions	58,880	-	58,880
Amortisation charge	(30,001)	-	(30,001)
Balance at 30 June 2018	85,983	264,359	350,342
2019			
Balance at the beginning of year	85,983	264,359	350,342
Additions	39,292	-	39,292
Disposals	(1,599)	-	(1,599)
Amortisation charge	(29,466)	-	(29,466)
Balance at 30 June 2019	94,210	264,359	358,569

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

Note 13 Tax**(a) Assets****Non Current**

	Opening Balance	Charged to Income	Charged Directly to Equity	Closing Balance
	\$	\$	\$	\$
Deferred Tax Assets				
2018				
Provisions	347,947	58,427	-	406,374
Impairment of trade receivables	786	3,555	-	4,341
Other	51,442	1,386	-	52,828
Balance at 30 June 2018	400,175	63,368	-	463,543
2019				
Provisions	406,374	35,396	-	441,770
Impairment of trade receivables	4,341	3,647	-	7,988
Other	52,828	20,583	-	73,411
Balance at 30 June 2019	463,543	59,626	-	523,169

(b) Liabilities

The balance of deferred tax liabilities as at 30 June 2019 was NIL (2018: NIL)

Note 14 Trade and Other Payables

	2019	2018
	\$	\$
Current		
Unsecured liabilities		
Trade payables	4,346,484	4,385,561
Other payables and accrued expenses	548,581	610,893
	4,895,065	4,996,454

(a) Trade Payables

The Co-operative has financial risk management policies in place to ensure that trade and other payables are paid within reasonable credit timeframes, normally within 30 days of recognition of the liability.

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

Note 15 Borrowings

	Note	2019 \$	2018 \$
Current			
Secured liabilities			
Bank overdraft	15(a)	307,551	159,166
Commercial loans	15(a)	911,780	1,027,581
Total current borrowings		1,219,331	1,186,747
Non-Current			
Secured liabilities			
Commercial loans	15(a)	7,173,806	7,022,260
Total non-current borrowings		7,173,806	7,022,260
Total borrowings		8,393,137	8,209,007
(a) Total current and non-current secured liabilities			
Bank overdraft		307,551	159,166
Commercial loans		8,085,586	8,049,841
		8,393,137	8,209,007

(b) Security Details

The bank overdraft and commercial loans are secured by registered first mortgage over freehold land and buildings of the Co-operative and a fixed and floating charge over all the assets of the Co-operative.

The carrying amounts of non-current assets pledged as security are:

Freehold land and buildings	12,047,696	12,174,631
Plant and equipment	4,037,925	3,225,701
	16,085,621	15,400,332

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 15 Borrowings (continued)****(c) Financial Covenants**

Covenants within the Co-operative's business finance agreement with its banker, and letters of variations to borrowings, require compliance with the following financial undertakings:

- Yearly management accounts to be provided to the bank within 90 days of the close of each year.
- Audited financial reports to be provided to the bank within 140 days of the close of each year.
- Debt Service Cover (DSC) of not less than 1.25 times
- calculated as EBITDA divided by interest expense plus scheduled principal amortisation.

Note 16 Members' Shares

	2019	2018
Note	\$	\$
Non Current		
Fully paid ordinary shares	1,715,056	1,958,957
Ordinary Shares		
Balance at the beginning of the financial year	1,958,957	2,217,197
Shares bought back during the year	(247,279)	(218,911)
Shares forfeited 16(a)	(856)	(39,685)
Shares previously forfeited, reinstated	4,234	356
Balance at the end of the financial year	1,715,056	1,958,957

(a) Forfeiture of Shares

During the year ended 30 June 2019 shares totalling \$856 (2019: \$39,685) were forfeited in relation to members whose whereabouts were unknown and whose shares were less than \$100 in value. The forfeiture of these shares was in accordance with the Co-operative's Rules and the requirements of the Co-operatives National Law (NSW).

In accordance with the requirements of Accounting Standard AASB 9, the forfeited shares were derecognised as a financial liability and the amount of the extinguished liability of \$856 (2019: \$39,685) was recognised in profit or loss.

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 17 Provisions**

	Employee benefits \$	Total \$
Opening balance at 1 July 2018	1,294,072	1,294,072
Additional provisions	113,633	113,633
Balance at 30 June 2019	1,407,705	1,407,705
Analysis of Total Provisions		
	2019	2018
	\$	\$
Current	1,112,284	972,072
Non-current	295,421	322,000
	1,407,705	1,294,072

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for wages, annual leave and long service leave.

The current portion for the provision includes the total amount accrued for wages and annual leave entitlements and amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service.

These amounts are classified as current liabilities since the Co-operative does not have an unconditional right to defer settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion of the provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 18 Other liabilities**Current**

Income in advance	129,542	105,498
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Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 19 Auditor's Remuneration**

	2019	2018
	\$	\$
Remuneration of the auditor of the Co-operative for:		
Auditing the financial report	57,100	56,000
Taxation services	6,800	6,000
Other services	5,600	5,500
	<u>69,500</u>	<u>67,500</u>

Note 20 Reserves**(a) Asset Revaluation Reserve**

The asset revaluation reserve records revaluations of non-current assets.

Note 21 Capital Risk Management

The Directors and management ensure there is sufficient capital for the Co-operative to fund its operations and continue as a going concern. The Co-operative relies on debt finance and working capital for its sources of funds.

The Board of Directors and management review working capital requirements on a regular monthly basis.

Note 22 Contingent Liabilities**(a) Bank Guarantee**

Combined Rural Traders Pty Ltd	-	100,000
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In the previous financial year the Co-operative had a banker's guarantee in favour of Combined Rural Traders Limited totalling \$100,000.

The guarantee was secured by mortgage over the Co-operative's assets. The guarantee was only payable in the event of economic loss, damage, liability or costs caused to Combined Rural Traders Limited by the Co-operative and its staff. There had been no event or events that had required the guarantee to be called upon. The guarantee was cancelled on 14 November 2018.

(b) Caltex Australia Petroleum Pty Ltd

Caltex Australia Petroleum Pty Ltd has a fixed and floating charge over the petroleum assets of the Co-operative.

(c) Metcash Trading Limited

Metcash Trading Limited has a fixed and floating charge over supermarket inventory assets of the Co-operative.

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 23 Capital and Leasing Commitments****(a) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements. Operating lease payments under existing lease arrangements for building accommodation are payable over the following periods:

	2019	2018
	\$	\$
Payable		
- not later than 1 year	1,247,353	934,207
- later than 1 year but not later than 5 years	3,735,569	2,106,345
- later than 5 years	5,792,959	3,175,067
	<u>10,775,881</u>	<u>6,215,619</u>

The building accommodation leases are non-cancellable leases with terms ranging from 3 to 10 years. Rent is payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payment to be increased by the CPI. Options exist to renew some of the leases at the end of their terms.

(b) Capital Expenditure Commitments

Capital expenditure commitments contracted for:

Plant and equipment purchases	4,566,767	70,750
Less reimbursements from Lessor	(1,037,045)	-
	<u>3,529,722</u>	<u>70,750</u>
Intangible assets purchases	-	25,000
	<u>3,529,722</u>	<u>95,750</u>
Payable:		
- not later than 1 year	3,529,722	95,750

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 24 Disclosures on Directors and Other Key Management Personnel**

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Co-operative, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(a) Directors

During the financial year the following Directors held office:

David Johnson	(Chairperson)
Lisa Intemann	
Richard McGovern	
Rodney Barnaby	
Jaclyne Fisher	
Robert Preston	(Appointed 20/11/2018)
Gary Humphreys	(Appointed 01/04/2019)
Anthony Abi Saab	(Resigned 20/11/2018)
Jane Dawson	(Resigned 20/11/2018)

(b) Other Key Management Personnel

The following persons also had responsibility for planning, directing and controlling the activities of the Co-operative, directly or indirectly during the financial year:

<i>Name</i>	<i>Position</i>
Allan Gordon	Chief Executive Officer
Carol Leach	Business Unit Manager
Darren Partridge	Business Unit Manager
Judith Standring	Business Unit Manager
Lisa Atkins	Business Unit Manager
Stephen Russell	Business Unit Manager
Joshua Tang	Business Unit Manager (Appointed 18/01/2019)
David Hore	Business Unit Manager (Resigned 05/11/2018)
Lesley Keft	Business Unit Manager (Resigned 18/01/2019)

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 24 Disclosures on Directors and Other Key Management Personnel (Continued)****(c) Key Management Personnel Compensation**

The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:

	2019	2018
	\$	\$
Short-term employee benefits	812,946	833,203
Post-employment benefits	73,671	77,064
Other long-term benefits	29,559	17,992
Termination benefits	-	-
	916,176	928,259

Remuneration shown as short-term employee benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, bonuses and the value of fringe benefits received, but excludes out-of-pocket expense reimbursements.

All remuneration of Directors was approved by members at the previous Annual General Meeting of the Co-operative.

(d) Trade and Other Receivables Due from Key Management Personnel

The aggregate amount of receivables due from KMP as at the end of the reporting period amounted to:	-	1,236
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There are no amounts which are impaired in relation to the amounts receivable from KMP.

(e) Trade and Other Payables Due to Key Management Personnel

The aggregate amount of payables due to KMP as at end of the reporting period amounted to:	-	575
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(f) Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year ended 30 June 2019 amounts totalling \$7,748 (2018: \$21,970) were paid to Saab Industries Pty Ltd, a director-related entity of Director Anthony Abi-Saab. The amount paid related to the supply of bottled water to the Co-operative.

During the year ended 30 June 2019 amounts totalling \$290 (2018: \$301) were paid to Wauchope Sports and Trophies, a director-related entity of Director Richard McGovern. The amount paid related to the supply of badges and name tags to the Co-operative.

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 24 Disclosures on Directors and Other Key Management Personnel (Continued)****(g) Other Transactions with Key Management Personnel**

Goods and services are sold to Directors and other KMP at retail outlets of the Co-operative on normal commercial terms and conditions.

(h) Share Transactions

	2019 No.	2018 No.
(i) Aggregate number of shares held by KMP at the end of the reporting period	2,732	3,036
(ii) Aggregate number of shares acquired by KMP during the financial year	69	10

Note 25 Cash Flow Information**(a) Reconciliation of Cash Flow from Operations with Profit/(Loss) from Ordinary Activities after Income Tax**

	2019 \$	2018 \$
Profit / (loss) after income tax	1,357,950	913,760
Non-cash flows in profit		
Depreciation and amortisation expense	1,006,406	915,522
Net (gain)/loss on disposal of property, plant and equipment	(76,879)	(14,614)
Shares forfeited	(856)	(39,685)
Forfeited shares reinstated	4,234	356
Changes in assets and liabilities		
(Increase) / decrease in receivables	(125,961)	(404,455)
(Increase) / decrease in inventories	(426,107)	(412,896)
(Increase) / decrease in other assets	(28,557)	(34,028)
(Increase) / decrease in tax assets	(59,626)	(63,368)
Increase / (decrease) in trade and other payables	(127,839)	948,356
Increase / (decrease) in provisions	113,633	192,357
Increase / (decrease) in other liabilities	24,044	77,432
Cash flow from operations	1,660,442	2,078,737

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 25 Cash Flow Information (continued)****(b) Financing Arrangements with Banks**

The Co-operative has access to the following lines of credit:

	Note	2019 \$	2018 \$
Total Facilities Available			
Credit facility	25(b)(i)	75,000	50,000
Bank overdraft	25(b)(ii)	800,000	800,000
Commercial Loan	25(b)(iii)	4,150,000	3,800,000
Commercial Loan	25(b)(iv)	3,400,000	-
Commercial Loan	25(b)(v)	17,872	47,025
Commercial Loan		-	2,000,000
Commercial Loan		-	1,033,633
Commercial Loan		-	768,247
Commercial Loan	25(b)(vi)	95,130	178,528
Commercial Loan		-	198,322
Commercial Loan	25(b)(vii)	323,081	400,131
Commercial Loan	25(b)(viii)	99,503	123,955
		8,960,586	9,399,841
Facilities Utilised at Reporting Date			
Credit facility		-	66
Bank overdraft		307,551	159,166
Commercial Loan		4,150,000	3,800,000
Commercial Loan		3,400,000	-
Commercial Loan		17,872	47,025
Commercial Loan		-	1,500,000
Commercial Loan		-	1,033,633
Commercial Loan		-	768,247
Commercial Loan		95,130	178,528
Commercial Loan		-	198,322
Commercial Loan		323,081	400,131
Commercial Loan		99,503	123,955
		8,393,137	8,209,073

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 25 Cash Flow Information (continued)****(b) Financing Arrangements with Banks (continued)****Facilities Not Utilised at Reporting Date**

Credit facility	75,000	49,934
Bank overdraft	492,449	640,834
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	500,000
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
	567,449	1,190,768

(i) Credit Facility

The credit facility relates to a business credit card facility. Interest rates are variable and subject to adjustment.

(ii) Bank Overdraft

\$800,000 (2018: \$800,000) bank overdraft with the general terms and conditions set and agreed to annually. The bank overdraft is secured by registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate as at 30 June 2019 was 4.85% (2018: 3.96% plus 1.2% line fee). Interest rates are variable and subject to adjustment.

(iii) Commercial Loan

The commercial loan facility is secured by registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 5.02% (2018: 5.45%).

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 25 Cash Flow Information (continued)****(b) Financing Arrangements with Banks (Continued)****(iv) Commercial Loan**

The commercial loan facility is secured by registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 4.65%.

(v) Commercial Loan

The commercial loan facility is secured by a bill of sale over chattels in relation to supermarket businesses, a registered first mortgage over freehold property of the Cooperative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 6.3% (2018: 6.3%).

(vi) Commercial Loan

The commercial loan facility is secured by a bill of sale over chattels in relation to supermarket businesses, a registered first mortgage over freehold property of the Cooperative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 4.96% (2018: 4.96%).

(vii) Commercial Loan

The commercial loan facility is secured by registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 4.66% (2018: 4.66%).

(viii) Commercial Loan

The commercial loan facility is secured by registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 4.43% (2018: 4.43%).

Note 26 Events Occurring After the Reporting Date

After balance date, on 29 July 2019 the Co-operative acquired a franchise car rental services business for a purchase consideration of \$329,000, including GST, and a payout of \$346,201 in relation to finance on the existing motor vehicle fleet. Identifiable assets acquired in the business combination amounted to \$441,168 giving rise to \$234,033 in goodwill. The Co-operative obtained borrowings of \$600,000, including \$308,000 for asset finance of the motor vehicles.

The Co-operative signed a franchise agreement for the provision of car rental services with Redspot Franchising Pty Ltd on 26 July 2019. In addition, a premises license agreement with WCC NSW Pty Ltd was entered into on 26 July 2019 to facilitate the operations of the car rental services business from Port Macquarie Airport Terminal.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Co-operative, the results of those operations or the state of affairs of the Co-operative in future financial years.

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 27 Financial Risk Management****Financial Risk Management Policies**

The Co-operative's financial instruments consist mainly of cash and cash equivalents, accounts receivable and payable, bank overdraft facility and commercial loans.

The Directors of the Co-operative meet on a regular basis to analyse financial performance and to evaluate management strategies in the context of the most recent economic conditions and forecasts. Monthly financial management reports are reviewed by the Directors to assist in the evaluation of management strategies.

Specific Financial Risk Exposures and Management

The main risks the Co-operative is exposed to through its financial instruments are credit risk, liquidity risk and market risk (consisting of interest rate risk). The Co-operative is not exposed to fluctuations in foreign currencies or to any material commodity price risk. The Co-operative does not enter into, or trade, financial instruments for speculative purposes.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Co-operative. Credit risk may arise from exposures to customers and deposits with financial institutions.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date, to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to and forming part of the financial statements.

The Co-operative does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Co-operative.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Co-operative might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to its financial liabilities.

The Co-operative manages liquidity risk by monitoring cash flows and ensuring that adequate cash reserves are maintained to meet the Co-operative's financial commitments.

The following table reflects an undiscounted contractual maturity analysis for financial liabilities and financial assets.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

The timing of cash flows to settle financial liabilities, presented in the following table, reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 27 Financial Risk Management (continued)****(b) Liquidity risk (Continued)****Financial liability and financial asset maturity analysis**

	Maturing within 1 Year		Maturing 1 to 5 Years		Maturing Over 5 Years		Total Contractual Cash Flow	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets - cash flows realisable								
Cash and cash equivalents	78,800	78,100	-	-	-	-	78,800	78,100
Other investments	-	-	-	-	1,000	1,000	1,000	1,000
Trade and other receivables	1,795,073	1,669,112	-	-	-	-	1,795,073	1,669,112
Total Financial Assets	1,873,873	1,747,212	-	-	1,000	1,000	1,874,873	1,748,212
Financial liabilities due for payment								
Bank overdraft	307,551	159,166	-	-	-	-	307,551	159,166
Commercial loans	911,780	1,027,581	7,173,806	7,022,260	-	-	8,085,586	8,049,841
Members' shares	-	-	1,715,056	1,958,957	-	-	1,715,056	1,958,957
Trade and other payables	4,895,065	4,996,454	-	-	-	-	4,895,065	4,996,454
Total Financial Liabilities	6,114,396	6,183,201	8,888,862	8,981,217	-	-	15,003,258	15,164,418
Net (outflow)/inflow on financial instruments	(4,240,523)	(4,435,989)	(8,888,862)	(8,981,217)	1,000	1,000	(13,128,385)	(13,416,206)

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 27 Financial Risk Management (continued)****(c) Market risk*****Interest rate risk***

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows.

The Co-operative is exposed to interest rate risk as the Co-operative borrows funds at both fixed and floating interest rates. The Co-operative manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings.

Sensitivity Analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period for interest bearing financial assets and financial liabilities.

		-1%	-1%	+1%	+1%
	Carrying Amount	Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
Financial Liabilities					
Bank overdraft	307,551	3,076	3,076	(3,076)	(3,076)
Commercial loans	3,417,872	34,178	34,178	(34,178)	(34,178)
Increase/(decrease)		<u>37,254</u>	<u>37,254</u>	<u>(37,254)</u>	<u>(37,254)</u>

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 28 Fair Value Measurements**

The Co-operative measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Freehold land and buildings

(a) Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised as follows:

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets and liabilities that the Co-operative can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Co-operative selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Co-operative are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Co-operative gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

Note 28 Fair Value Measurements (continued)**(a) Fair Value Hierarchy (continued)**

The following tables provide the fair values of the Co-operative's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within their fair value hierarchy.

		Level 1	Level 2	Level 3	Total
	Note	\$	\$	\$	\$
30 June 2019					
Recurring fair value measurements					
Financial assets		-	-	-	-
Total financial assets recognised at fair value on a recurring basis		-	-	-	-
Non-financial assets					
Freehold land	11	-	5,905,740	-	5,905,740
Freehold buildings	11	-	6,141,956	-	6,141,956
Total non-financial assets recognised at fair value on a recurring basis		-	12,047,696	-	12,047,696
Total non-financial assets recognised at fair value on a non-recurring basis		-	-	-	-
Total non-financial assets recognised at fair value		-	12,047,696	-	12,047,696
Total liabilities recognised at fair value		-	-	-	-
30 June 2018					
Recurring fair value measurements					
Financial assets		-	-	-	-
Total financial assets recognised at fair value on a recurring basis		-	-	-	-
Non-financial assets					
Freehold land	11	-	5,905,740	-	5,905,740
Freehold buildings	11	-	6,268,891	-	6,268,891
Total non-financial assets recognised at fair value on a recurring basis		-	12,174,631	-	12,174,631
Total non-financial assets recognised at fair value on a non-recurring basis		-	-	-	-
Total non-financial assets recognised at fair value		-	12,174,631	-	12,174,631
Total liabilities recognised at fair value		-	-	-	-

Hastings Co-operative Limited

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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

Note 28 Fair Value Measurements (continued)**(a) Fair Value Hierarchy (continued)**

There were no transfers between Level 1, Level 2 or Level 3 for assets or liabilities measured at fair value on a recurring basis during the reporting period (2018: no transfers).

(b) Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	2019 \$	2018 \$	Valuation Techniques	Inputs Used
Non-financial assets				
Freehold land	5,905,740	5,905,740	(i)	(ii)
Freehold buildings	6,141,956	6,268,891	(i)	(ii)
	12,047,696	12,174,631		

(i) Market approach using recent observable market data for similar properties.

(ii) Price per square metre.

The fair value of freehold land and buildings is determined at least every five years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

(c) Discounted Fair Value Measurements

The following assets and liabilities are not measured at fair value in the Statement of Financial Position. As stated in Note 28 (d) the net fair values of financial assets and financial liabilities approximates their carrying values.

Description	Fair Value Hierarchy Level	Valuation Techniques	Inputs Used
Financial Assets			
Cash and cash equivalents	2	(i)	(ii)
Other investments	2	(i)	(ii)
Trade and other receivables	2	(i)	(ii)
Financial Liabilities			
Bank overdraft	2	(i)	(ii)
Commercial loans	2	(i)	(ii)
Members' shares	2	(i)	(ii)
Trade and other payables	2	(i)	(ii)

(i) Income approach using discounted cash flow methodology.

(ii) Market interest rates for similar assets and liabilities.

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS**For the Year Ended 30 June 2019****Note 28 Fair Value Measurements (continued)****(d) Net Fair Values**

The net fair values of financial assets and financial liabilities approximate their carrying values. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 29 Co-operative Details

The registered office of the Co-operative is:

Hastings Co-operative Limited
Level 1, 9-13 High Street
Wauchope NSW 2446

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DIRECTORS' DECLARATION

The Directors of the Co-operative declare that:

1. The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements, are in accordance with the *Co-operatives National Law (NSW)* and the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards which, as stated in Accounting Policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - (b) give a true and fair view of the financial position of the Co-operative as at 30 June 2019 and of its performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Chairperson:.....

David Johnson

Director:.....

Lisa Intemann

Dated: 10 September 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Hastings Co-operative Limited

Opinion

We have audited the accompanying financial report of Hastings Co-operative Limited, which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

In our opinion:

- (a) the financial report of Hastings Co-operative Limited is in accordance with the Co-operatives National Law (NSW) and the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Co-operative's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Co-operative in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Co-operative's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

To the members of Hastings Co-operative Limited

Directors' Responsibility for the Financial Report

The Directors of the Co-operative are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Co-operatives National Law (NSW) and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Co-operative or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITOR'S REPORT


To the members of Hastings Co-operative Limited

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

NorthCorp Accountants



Robert Magnussen
Partner

3/80 High Street
Wauchope NSW 2446

Dated: 10 September 2019

Hastings Co-op

 Timbertown SUPA IGA 6588 8921	 Wauchope SUPA IGA 6588 8920	 Port Macquarie IGA 6588 8922	 Sovereign Place IGA 6588 8923
 Timbertown IGA LIQUOR 6588 8921	 Wauchope IGA LIQUOR 6588 8920	 6588 8971	 Sovereign Place IGA LIQUOR 6588 8923
 MITRE 10 CRT 6588 8940	 Comboyne Rural Store 6588 8941	 Kew Rural Store 6588 8942	 6588 8943
 Lasiandra 6588 8930	 Cedar 6588 8931	 Bolwarra Rd PM 6588 8932	 Bulk Fuel 6588 8930
 Wauchope 6588 8950	 Port Macquarie 6588 8951	 Laurieton 6588 8952	
 Port CBD 6588 8961	 Tim Walker 0457 766 965	 6588 8960	 1300 668 846

Hastings Co-operative
ABN 86 601 035 121
Level 1, 9-13 High Street
PO Box 354 Wauchope NSW 2446
02 6588 8999
www.hastingscoop.com.au